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UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA – SOUTHERN DIVISION

POQUITO MAS LICENSING
CORPORATION, a California
Corporation,

Plaintiff,

vs.

TACO BELL CORP., a California
Corporation; FOOTE, CONE & BELDING
ADVERTISING, INC., aka FCB or
DraftFCB; and DOES 1 through 10,
inclusive,

Defendants.

TACO BELL CORP., a California
Corporation, and FCB WORLDWIDE,
INC.,

Counter-Plaintiffs,

vs.

POQUITO MAS LICENSING
CORPORATION, a California
Corporation, and KEVIN MCCARNEY,
an individual,

Counter-Defendants.

Case No. **SA CV13-01933 DOC
(JPRx)**

Assigned to the Hon. David O. Carter

**REPLY MEMORANDUM IN
SUPPORT OF MOTION OF
DEFENDANT TACO BELL CORP.
FOR SUMMARY JUDGMENT OR,
IN THE ALTERNATIVE, FOR
PARTIAL SUMMARY JUDGMENT**

Date: January 26, 2015

Time: 8:30 a.m.

Crtrm.: 9D

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MEMORANDUM OF POINTS AND AUTHORITIES

I. INTRODUCTION / SUMMARY OF ARGUMENT

Stripped of the camouflage of irrelevancies and mischaracterizations in plaintiff's opposition to this motion, a few simple facts emerge that demonstrate defendants Taco Bell and FCB are entitled to summary judgment:

- In the three years of coexistence between Poquito Mas and its restaurants operating under that name on the one hand, and Taco Bell's use of the LIVE MÁS tagline in its commercials on the other, there has been a complete absence of any actual confusion in the marketplace; the only survey evidence in this case reaches that same conclusion.
- The proliferation of uses of the common Spanish word "mas" for Mexican restaurants – as demonstrated by websites pages, pictures, and menus from those restaurants – evidences a crowded "mas" field in which Poquito Mas is but a bit player.
- When Poquito Mas challenged the UNA MAS mark used by a California Mexican restaurant chain, the TTAB got it right in concluding that Poquito Mas does not own the exclusive right to use the word "mas" for Mexican restaurants, and that "mas" is not the dominant part of its composite marks.
- Poquito Mas has far fewer trademark rights than it claims because of the invalidity of its post-hoc assignment, the non-trademark use of many of its claimed "mas" marks, and its misrepresentations to the USPTO.
- Because Poquito Mas does not have secondary meaning in the "mas" component, it does not have a protectable "family of MÁS Marks."
- Taco Bell does not use "más" as a trademark and "mas" is not the "essence" of its brand. Its brand and the name of its restaurants is the well-known TACO BELL; the tagline it uses in advertisements is LIVE MÁS.

- 1 • The CEO of Taco Bell made the decision to proceed with the LIVE MÁS
2 tagline based on the advice of his General Counsel, who in turn relied on
3 detailed opinions from three experienced trademark lawyers.
- 4 • Poquito Mas cannot create a jury question on actual damages or its
5 entitlement to corrective advertising based solely on litigation expenses,
6 which is the only competent evidence it offers in support of those remedies.
- 7 • There were no extensive negotiations between Poquito Mas and Taco Bell,
8 no exchange of offers and demands from which the value of a license could
9 be established, and Poquito Mas has no history of licensing its trademarks
10 except as part of an unallocated franchise fee, so an award of reasonable
11 royalties would be wholly speculative and impermissible.
- 12 • Disgorgement of profits would result in an equally impermissible windfall
13 and there is no principled basis for such an award on the facts of this case.

14 In response to those straightforward propositions, fully supported by the
15 record, plaintiff posits a host of immaterial “facts” on the apparent theory that if it
16 creates enough smoke, the Court will assume there must be a material issue of fact
17 someplace in the mix. It also employs several other diversionary tactics, as follows.

18 First, plaintiff fails to provide a road map to allow the Court to separate the
19 wheat from the chaff: it fails to respond on a paragraph-by-paragraph basis to
20 Defendants’ Statement of Undisputed Facts (“SUF”), offering only its own
21 195-paragraph statement of so-called Genuine Disputes of Material Fact (“DMF”).
22 For that reason alone, defendants’ SUF should be deemed admitted. Local Rule 56-3;
23 *see also Polo v. Innoventions Int’l LLC*, 2014 U.S. Dist. LEXIS 64090, 5-6 (C.D. Cal.
24 May 1, 2014) (where submission did not “directly respond to the facts presented in
25 the SUF” but rather offered plaintiff’s own list of purported material facts, court
26 found submission “non-responsive” to SUF under Local Rule 56-3). Even if the Court
27 were to parse plaintiff’s submission here to try to determine which so-called disputed
28 facts are intended to counter defendants’ SUF, it is clear that the vast majority of

1 plaintiff's submissions are neither material nor relevant to the issues at hand.¹

2 Second, Poquito Mas engages in a level of mischaracterization of the record
3 that oversteps the bounds of even zealous advocacy. That is evident from the
4 opening paragraph of its Memorandum of Points and Authorities ("Pl. Br.").
5 Plaintiff posits six "facts" that are simply untrue: (1) Taco Bell had **not** "already
6 identified [Poquito Mas] as a competitor"; (2) Taco Bell did **not** identify Poquito Mas
7 as having "preexisting and superior rights in a family of Mas marks"; (3) Taco Bell
8 did **not** receive a warning from its counsel that using "Mas" would pose a significant
9 risk; (4) Taco Bell did **not** try to "deceive" Poquito Mas into licensing "its Mas
10 marks;" (5) Poquito Mas does **not** have "Mas' marks"; and (6) Taco Bell did **not**,
11 when Poquito Mas objected, "brazenly proceed [] 'Butch Cassidy Style'" to swamp
12 the market. Rather it jettisoned the plan to proceed with the mark to which McCarney
13 had objected. Plaintiff cannot create disputed facts simply by making them up.

14 As shown below, despite its diversionary tactics, Poquito Mas has not
15 identified a jury question that would preclude summary judgment for Taco Bell (and
16 FCB which has moved for summary judgment in reliance on the arguments herein).

17 **II. POQUITO MAS HAS NOT CREATED** 18 **A JURY ISSUE ON LIKELIHOOD OF CONFUSION**

19 Poquito Mas acknowledges that the *Sleekcraft* factors are not a template on
20 which each box must to be checked in favor of defendants before they can prevail on
21 summary judgment. Pl. Br. at 9. To try to shift focus from the key factors in a reverse
22 confusion case – strength of plaintiff's marks, similarity of the marks, and proximity
23 of the goods – Poquito Mas claims a breadth of trademark rights it simply does not
24 possess, and argues Taco Bell is making trademark use of marks it does not use.
25 Applying the relevant *Sleekcraft* factors to the marks actually in issue, it becomes
26

27 ¹ Plaintiff also makes entire legal arguments in its Evidentiary Objections not
28 found in its brief in a transparent attempt to circumvent the page limitations; entire
sections of its brief recite supposed facts without reference to defendants' SUF or its
own DMF; and other sections cite to paragraphs of its DMF that say no such thing.

1 clear that Taco Bell's use of LIVE MÁS does not violate any of Poquito Mas's rights

2 **A. The Absence of Actual Confusion Is Dispositive Under The Facts of This**
3 **Case**

4 Fundamentally, the trademark laws are designed to protect the public from
5 confusion. The ultimate goal of the "likelihood of confusion" test is to identify
6 circumstances where there is a real chance of consumer deception. Thus, evidence
7 that consumers have *already* been confused by use of a junior mark can be "potent,"
8 if not always determinative. As a corollary, the absence of proof of actual confusion
9 should also be "weighed heavily" in the analysis "when the particular circumstances
10 indicate such evidence should have been available." *AMF Inc. v. Sleekcraft Boats*,
11 599 F.2d 341, 354 (9th Cir. 1979). "We cannot think of more persuasive evidence
12 that there is no *likelihood* of confusion between these two marks than the fact that
13 they have been simultaneously used for five years without causing any consumers to
14 be confused as to who makes what." *Brookfield Commc'ns, Inc. v. West Coast Entm't*
15 *Corp.*, 174 F.3d 1036, 1050 (9th Cir. 1999) (*citing Libman Co. v. Vining Indus., Inc.*,
16 69 F.3d 1360, 1361 (7th Cir. 1995) ("Vining sold several hundred thousand of the
17 allegedly infringing brooms, yet there is no evidence that any consumer ever made
18 such an error; if confusion were likely, one would expect at least one person out of
19 this vast multitude to be confused ...")). Here, that "one person" does not exist.

20 Poquito Mas has no answer for the complete absence of any evidence of
21 confusion in the market in the nearly three years that Taco Bell has used its LIVE
22 MÁS tagline widely in national advertising, other than to cite generalized language
23 from case law that absence of such proof is not dispositive. Elsewhere, Poquito Mas
24 trumpets the reach and expense of Taco Bell's advertising campaign (*see* DWF
25 ¶¶ 119-131), but not here, because it well knows that the nonexistence of even a
26 single, anecdotal report of any consumer, anywhere, at any time, believing that
27 Poquito Mas's goods or services are connected with Taco Bell, is damning.

28 While it is true that actual confusion may be hard to prove – especially where

1 the junior use has only recently commenced – this is precisely why properly-
2 conducted likelihood of confusion surveys are critical in infringement cases. *Union*
3 *Carbide Corp. v. Ever-Ready Inc.*, 531 F.2d 366, 382 (7th Cir. 1976). As a matter of
4 law, failure to conduct a survey leads to a presumption that the results of such a
5 survey would be unfavorable. *James R. Glidewell Dental Ceramics, Inc. v. Keating*
6 *Dental Arts, Inc.*, 2013 U.S. Dist. LEXIS 24824, at *15 (C.D. Cal. Feb. 21, 2013). To
7 try to avoid that presumption, plaintiff argues it could not afford a survey (Pl. Br. at
8 16), and that defendants’ survey is flawed because despite a 60% recognition level
9 among consumers, LIVE MÁS has not “saturated” the market (PM Evid. Obj. at 10).

10 First, plaintiff’s cries of poverty are false. Poquito Mas is not the small
11 operation it pretends to be, having combined gross revenues of [REDACTED] annually.
12 McCarney Decl. ¶ 53. More to the point, it has spent well in excess of [REDACTED] on
13 experts in this case.² McCarney claims a survey would have cost \$100,000 (*Id.* ¶ 88),
14 but cites no source for his inflated estimate. Although an in-person “intercept” survey
15 can be expensive,³ online surveys can be conducted much more efficiently,⁴ for as
16 little as \$20,000. *See* James T. Berger, “Frequently Asked Questions About
17 Trademark Surveys,” *Intellectual Property Today*, Dec. 2012, at 6-8. Clearly,
18 plaintiff had the resources for a survey, but made a strategic choice not to conduct
19

20 ² Plaintiff’s damages expert, Scott Phillips ([REDACTED]), [REDACTED]
21 [REDACTED] Declaration of Camille
22 Calman (“Calman Decl.”), Ex. 131 at 67:3-12. Plaintiff’s marketing expert, Bruce
23 Silverman ([REDACTED]), who did not do a survey, [REDACTED]
24 than \$20,000. *Id.*, Ex. 132 at 162:22-163:14. Expert Larry Chiagouris ([REDACTED]),
25 who criticized Taco Bell’s survey but did not conduct his own, produced a 24-page
26 report; [REDACTED] Declaration of Larry Chiagouris
27 filed Dec. 22, 2014. Plaintiff also produced but withdrew a report by another expert
28 [REDACTED]. *Id.* ¶ 10.

25 Even intercept surveys need not cost \$100,000: recently, a federal court
26 approved an application for costs including a three-state “intercept” survey that cost
27 \$56,000. *Audemars Piguet Holding S.A. v. Swiss Watch Int’l, Inc.*, --- F. Supp. 2d ---,
28 2014 WL 47465, at *3 (S.D.N.Y. Jan. 6, 2014) (describing survey); *Audemars Piguet*
Holding S.A. v. Swiss Watch Int’l, Inc., --- F. Supp. 2d ---, 2014 WL 4384085, at *6
(S.D.N.Y. Aug. 20, 2014) (approving survey cost).

28 ⁴ “An internet survey is faster and less expensive than mall intercept or
telephone surveys.” 6 *McCarthy* § 32:165.25, at 32-409.

1 one presumably because it feared (or knew) the results. Absent a survey, the actual
2 confusion factor is presumed to favor Taco Bell.

3 Adding to that presumption, Taco Bell *did* conduct a survey and it shows there
4 is no confusion. The only new challenge to the survey plaintiff raises⁵ – only in its
5 evidentiary objections (PM Evid. Obj. at 10-11) – is that the tagline has not
6 “saturated” the market and thus a reverse confusion survey is inappropriate. Poquito
7 Mas cites 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*
8 (4th ed.) (“*McCarthy*”), which says that in a reverse confusion case, consumers must
9 first have been “exposed to the relatively large advertising and promotion of the
10 junior user that is the hallmark of a reverse confusion case.” PM Evid. Obj. at 10
11 (*citing id* § 23:10, at 23-71 to -72). “It is Professor McCarthy’s opinion that surveys ...
12 [i]n a situation where the junior user [] has not yet commenced massive use of its
13 name and there has been no advertising or promotion of products and services under
14 that name reverse confusion cannot be measured because the triggering event of
15 market place saturation has not yet occurred.” *CIT Grp., Inc. v. Citicorp*, 20 F. Supp.
16 2d 775, 792 (D.N.J. 1998) (finding a saturated market and allowing reverse confusion
17 survey). Plaintiff concludes that a survey is thus “meaningless” where the market is
18 not “fully saturate[d]” by the mark. PM Evid. Obj. at 10 (emphasis added).

19 From this leap, plaintiff claims the market is not fully saturated because the
20 tagline has only reached 58% awareness in the relevant public. Yet elsewhere,
21 plaintiff uses such awareness to demonstrate the tagline’s *pervasiveness*, stating for
22 instance that “Taco Bell saturated the United States with its infringing MÁS mark to
23 the extent that as of 2013 64% of Taco Bell’s customers associated the MÁS marks
24 with Taco Bell and not Plaintiff.” Pl. Br. at 22. Plaintiff also notes Taco Bell has
25 spent millions of dollars on national ads with the tagline since February 2012.⁶

26
27 ⁵ Poquito Mas’s other criticisms of Taco Bell’s survey are fully addressed in
the Declaration of Itamar Simonson, dated December 13, 2014.

28 ⁶ This Court rejected a motion in limine in *QS Wholesale, Inc. v. World
Marketing, Inc.*, 2013 WL 1953719, at *6 (C.D. Cal. May 9, 2013) (“*Quiksilver*”).

1 DMF ## 119-131. Plaintiff cannot have it both ways. It puts forth absolutely no basis
2 for the notion that an approximate 60% recognition of the tagline in 2013 renders an
3 *Eveready* reverse confusion survey “meaningless,” and in *Fancaster, Inc. v. Comcast*
4 *Corp.*, 832 F. Supp. 2d 380, 392-93 (D.N.J. 2011), the court found “saturation” based
5 on national advertising exposure far less extensive than Taco Bell’s advertising here.

6 **B. Poquito Mas Has Far Fewer Trademark Rights Than It Claims; Its**
7 **Trademarks Are Not Entitled to a Wide Scope Of Protection; And Taco**
8 **Bell’s Use of Live Más Does Not Impinge upon Poquito Mas’s Narrowly**
9 **Circumscribed Zone of Protection**

10 **1. Poquito Mas’s “Assignment” Comes Too Late to Confer Standing**

11 As a threshold matter, Poquito Mas had no standing to sue for infringement of
12 GET POQUITO MAS OUT OF LIFE, I AM THE MAS, and MINI MAS, as those
13 marks had not been assigned to it in writing (as required by statute, 15 U.S.C.
14 § 1060(a)(3)) when it filed suit or, for that matter, when it filed its Second Amended
15 Complaint. “As a general matter, parties should possess rights before seeking to have
16 them vindicated in court. Allowing a subsequent assignment to automatically cure a
17 standing defect would unjustifiably expand the number of people who are statutorily
18 authorized to sue.” *Procter & Gamble Co. v. Paragon Trade Brands, Inc.*, 917 F.
19 Supp. 305, 310 (D. Del. 1995); *Dahon N. Am., Inc. v. Hon*, 2012 WL 1413681, at *8
20 (C.D. Cal. Apr. 24, 2012) (“A party lacks standing to sue for trademark infringement
21 if it does not own the trademark at issue. There must be ownership at the time the suit
22 was filed. A subsequent assignment conferring ownership, even if purported to be
23 retroactive, cannot cure a defect in standing.”) (citations omitted).

24 Poquito Mas relies on its belated trademark assignment, executed after the
25 close of discovery in this case, claiming that it has standing to assert claims based on
26 the marks covered by that assignment because the assignment is in writing, and
27 because a written assignment is not necessary to transfer common-law trademark

28 Dkt. ## 195 & 280), to exclude a reverse confusion survey on the same grounds
where defendant had allegedly spent only \$100,000 in advertising.

1 rights. Pl. Br. at 8 n.2. The first argument misses the point: the assignment, written
2 though it may be, is dated December 12, 2014, by law too late to give plaintiff any
3 retroactive rights. *Gaia Techs., Inc. v. Reconversion Techs., Inc.*, 93 F.3d 774, 779
4 (Fed. Cir. 1996); *L'Oreal USA, Inc. v. Trend Beauty Corp.*, 2013 WL 4400532, at
5 *11 (S.D.N.Y. Aug. 15, 2013). The second argument is based on 3 *McCarthy* § 18.4,
6 at 18-12 to 18-13, which states, “If there is no documentary evidence of an
7 assignment, it may be proven by the clear and **uncontradicted** oral testimony of a
8 person in a position to have actual knowledge.” (Emphasis supplied.) Here,
9 McCarney himself **already contradicted** any such testimony; he testified on June 30,
10 2014 that the existing license agreement had not been amended or supplemented – a
11 fact confirmed in an interrogatory response. Taco Bell SUF ## 12-15.

12 **2. Poquito Mas’s Marks Are Conceptually Weak and Their** 13 **Incontestable Status Is Irrelevant**

14 The key issue in the strength-of-mark analysis, and one of the three “pivotal”
15 *Sleekcraft* factors in a reverse confusion case, is whether the mark is coined and
16 fanciful or arbitrary. *Dreamwerks Prod. Grp., Inc. v. SKG Studio*, 142 F.3d 1127,
17 1130 (9th Cir. 1998). If so, it is entitled to a high degree of protection. Init. Br. at 10.
18 Suggestive and descriptive marks, in contrast, are not entitled to broad protection. *Id.*

19 A fanciful mark is a made-up word like “KODAK” or “EXXON.” An arbitrary
20 mark, such as “APPLE” for computers or “CAMEL” for cigarettes, is a mark with no
21 relation to the goods or services to which it is applied. Plaintiff argues that “MAS”
22 falls into the “arbitrary” category, rather than “suggestive” as defendants maintain,
23 because the word “more” allegedly has nothing to do with Poquito Mas’s products.
24 Putting aside that “MAS” is not the trademark at issue, this argument is unpersuasive
25 to anyone who has ever wanted or asked for “more” or “a little more” food either at
26 home or in a restaurant.⁷ See *Kevin T. McCarney dba Poquito Mas v. Una Mas, Inc.*,

27 ⁷ Poquito Mas makes the connection between its marks and its restaurant
28 services even more obvious on its website. Sullivan Decl. Ex. 12 (“Poquito Mas®
means ‘a little more’ and we always give you a little more than anyone else.”).

2004 WL 240310, at *3 (TTAB 2004) (“little more” is hardly an arbitrary term when applied to restaurant services). Poquito Mas’s name suggests a benefit its restaurant will provide (just as the marks of its competitors MUCHO MAS and UNA MAS suggest they will provide “much more” and “one more”).

Plaintiff alternatively argues that its marks are distinctive since they were registered without secondary meaning and/or have become incontestable. Pl. Br. at 11. But mere distinctiveness is not enough to prevail in a reverse confusion case; conceptual strength is required. *Glow Indus. v. Lopez*, 252 F. Supp. 2d 962, 987 (C.D. Cal. 2002); *Echo Drain v. Newsted*, 307 F. Supp. 2d 1116, 1124 (C.D. Cal. 2003). Nor does incontestable status create a presumption that the marks are strong, as plaintiff contends. The case it cites, *Entrepreneur Media, Inc. v. Smith*, 279 F.3d 1135, 1142 n.3 (9th Cir. 2002), says exactly the opposite. Incontestable marks may be strong **or** weak, and are entitled to **no** presumption of strength. *Miss World (UK) Ltd. v. Mrs. America Pageants, Inc.*, 856 F.2d 1445, 1449 (9th Cir. 1988).

3. Whether or Not POQUITO MAS Is A Commercially Strong Mark, Taco Bell Has Submitted Sufficient Evidence to Show Plaintiff Operates in a Crowded Field, Further Limiting Its Rights and the Scope of Protection Accorded Its Marks

Plaintiff claims that Poquito Mas’s commercial success – whatever the level⁸ – does not matter because Taco Bell is a much bigger company. Pl. Br. at 12-13. But reverse confusion cases nearly always involve a smaller senior user and a larger junior user. *See Cohn v. Petsmart, Inc.*, 281 F.3d 837, 841 (9th Cir. 2002). Courts do not simply award the “commercial strength” factor to the party with the smaller advertising budget. The analysis is more nuanced, as illustrated by *Echo Drain*: “[a]lthough Echo Drain presented evidence that Defendants’ mark is commercially stronger, this does not end the analysis of this *Sleekcraft* factor because the Court

⁸ Contrary to plaintiff’s claim (Pl. Br. at 12), Taco Bell has not admitted that Poquito Mas is a commercially strong mark, but rather pointed out that plaintiff’s expert so testified, and noted that even if he was wrong, commercial weakness would not weigh in plaintiff’s favor because it operates in a crowded field. Init. Br. at 12.

1 must compare the commercial strength of the Defendant's mark with the conceptual
2 strength of the Echo Drain mark.” 307 F. Supp. 2d at 1125; *see also Moose Creek,*
3 *Inc. v. Abercrombie & Fitch Co.*, 331 F. Supp. 2d 1214, 1224-26 (defendant was
4 well-known retailer with over 500 stores nationwide, and plaintiff was smaller
5 wholesaler; despite its large scale, the commercial strength factor favored defendant).

6 Plaintiff also claims that the numerous uses of “mas” for Mexican restaurants
7 should not play in the analysis of the strength of its mark because, it claims, none of
8 defendant’s evidence of third-party usage is competent. Pl. Br. at 12. But in the cases
9 plaintiff cites, the *only* evidence defendant submitted was third-party trademark
10 registrations. Even assuming plaintiff’s authorities are right (*see, contra, Glow*
11 *Indus.*, 252 F. Supp. 2d at 973-74, 990 (finding a “crowded field” on the basis of
12 many other registrations for beauty products containing the word GLOW)), Taco
13 Bell relies on over 1,500 pages of internet printouts showing exactly how marks
14 containing “MAS” are being used by restaurants and encountered by consumers,
15 including photos of storefronts and store signage; social media pages; restaurant
16 menus; and images of food wrappers (Sullivan Decl. Ex. 35) – exactly the kind of
17 proof courts have relied on in other “crowded field” cases. *See Moose Creek*, 331 F.
18 Supp. 2d at 1224-25 (relying on Internet advertisements for clothing bearing moose
19 images); *Echo Drain*, 307 F. Supp. 2d at 1124 (relying on proof that “more than 500
20 other music groups use the term ‘echo’ in their names, album titles, and song titles”).

21 **4. Poquito Mas Does Not Own a “MAS” Mark or a “Family of MAS**
22 **Marks”**

23 According to Poquito Mas, “Taco Bell’s use of MÁS is highly similar to the
24 numerous MÁS marks owned by plaintiff.” Pl. Br. at 14. But the only similarity it
25 points to is the word “mas”, and it does not own a registration for “mas” standing
26 alone in the restaurant services category or in any other category – as evidenced by
27 the numerous other registrations including “mas” for restaurant services and other
28 related food and beverage categories. Calman Decl. Exs. 116 & 117. As the Second

1 Circuit has explained, “when less than the whole of a plaintiff’s mark is used by a
2 defendant, in order to sustain a charge of infringement, ‘it must appear that the part ...
3 taken identifies the owner’s product without the rest.’” *Caron Corp. v. Ollendorff*,
4 160 F.2d 444, 445 (2d Cir. 1947) (quoting *Parfumerie Roger & Gallet v. M.C.M.*
5 *Co.*, 24 F.2d 698, 699 (2d Cir. 1928)). What has allegedly been taken is the word
6 “mas” and plaintiff has presented nothing that remotely suggests that a substantial
7 number of purchasing consumers, not to speak of the majority of them nationwide,
8 recognize “mas” – standing alone – as identifying Poquito Mas’s restaurant services.

9 For the same reason, Poquito Mas does not own a “family of MAS Marks” and
10 cannot protect the word “mas” on that basis. Plaintiff essentially ignores Taco Bell’s
11 showing that to prove a family of marks, a trademark owner must show more than
12 the existence of a series of marks sharing a common characteristic; it must also show
13 that the purchasing public recognizes that characteristic as indicating a common
14 source. Init. Br. at 8-9. It pays lip service to the need to show what the purchasing
15 public thinks – *not* by citing to a secondary meaning survey, the usual method for
16 proving a family of marks (*Art Attacks Ink, LLC v. MGA Entertainment, Inc.*, 581
17 F.3d 1138, 1145-47 (9th Cir. 2009), but by invoking “printed publications” (Pl. Br. at
18 14)⁹ and the claim that “defendants’ own counsel has admitted” that Poquito Mas has
19 a family of marks (Pl. Br. at 14) based on an email from one of FCB’s lawyers,¹⁰
20 neither of which proves anything about the perceptions of the purchasing public.

21 Poquito Mas also tries to bolster its claim to a monopoly over “mas” by
22 claiming that it has trademark rights in a series of phrases including “mas”, not
23

24 ⁹ For these “printed publications”, Poquito Mas cites PM SUF # 49, which has
25 nothing to do with the issue. Apparently, plaintiff meant to cite to McCarney Decl.
26 ¶ 49, which relies on Exhibits 23, 24, and 26, Facebook and Twitter postings and
27 articles. Plaintiff makes no effort to demonstrate which, if any, of these random
28 materials show that the public thinks of “Poquito Mas” when they hear “MAS.”

¹⁰ As that lawyer explained, she did no investigation into whether Poquito Mas
had a family of marks; she merely expected it would make that claim, based on
McCarney’s multiple registrations containing the word MAS. Calman Decl. Ex. 125
at 39:13-43:7.

1 registered as trademarks, that occasionally appear on its website such as “Get a Little
2 MÁS out of Lunch,” “MÁS Social,” “MÁS Local,” and “Think MÁS”. Pl. Br. at 2.
3 Many of these purported marks are purely descriptive; Poquito Mas uses the phrase
4 “MAS Local” to identify its use of local ingredients, and “MAS Social” to encourage
5 people to visit its social media pages. But a phrase used merely in a descriptive
6 manner is not a trademark absent evidence that consumers use it as a source
7 identifier. *Self-Realization Fellowship Church v. Ananda Church of Self-Realization*,
8 59 F.3d 902, 910 (9th Cir. 1995); *see CG Roxane LLC v. Fiji Water Co.*, 569 F.
9 Supp. 2d 1019, 1030 (N.D. Cal. 2008) (a phrase can be descriptive even if it only
10 refers to a single characteristic or property of the goods or services). Poquito Mas
11 offers no evidence whatsoever that these phrases are used *as trademarks* – that either
12 Poquito Mas or any of its customers uses them as source identifiers to identify the
13 origin of Poquito Mas’s restaurant services. *Fleischer Studios, Inc. v. A.V.E.L.A.,*
14 *Inc.*, 925 F. Supp. 2d 1067, 1072 (C.D. Cal. 2012). Consequently, these assorted,
15 descriptive uses of “mas” add nothing to Poquito Mas’s trademark rights.

16 **5. Taco Bell Does Not Use “MÁS” as a Trademark, and “MÁS” Is Not**
17 **the Essence of its Brand**

18 Not only does plaintiff incorrectly claim exclusive ownership of the word
19 “mas,” it also incorrectly claims that Taco Bell has adopted a “MÁS” trademark,
20 endlessly repeating that Taco Bell uses, or intended to use, a “MÁS” mark. *See, e.g.,*
21 Pl. Br. at 4 (“a new MÁS slogan), 11 (“Strength of Parties’ Respective MÁS
22 Marks”), 13 (“Taco Bell’s use of MÁS as its slogan), 17 (“the proposed MÁS
23 slogans); DMF ## 85, 86, 102. Poquito Mas exceeds the bounds of advocacy to
24 make this point, erroneously contending that:

- 25 • Taco Bell’s CEO, Greg Creed, said “MÁS” was “the essence of the Taco
26 Bell brand.” Pl. Br. at 6. In fact, what Creed said was that “*LIVE MÁS*”
27
28

1 was the essence of the brand.¹¹ PM SUF # 138.

- 2 • Creed said, in a speech he gave, “We feed people’s lives with MÁS. MÁS
3 flavor. MÁS heart. MÁS value.” In fact, those are descriptive uses, not
4 trademark uses, of the word.
- 5 • Taco Bell considers the word “MÁS” to be rooted in the company’s
6 history. DMF # 66. In fact, the witness testified that “LIVE MÁS” is rooted
7 in Taco Bell’s history. Blakely Decl. Ex. 48 at 106:5-108:5.
- 8 • FCB supposedly approached Poquito Mas for “permission to use MÁS”
9 (Pl. Br. at 4-5). In fact, Santoni and later Fox of FCB actually approached
10 McCarney seeking a co-existence agreement under which Taco Bell would
11 use “LIVE A LITTLE MÁS” (SUF # 83).

12 As the record makes overwhelmingly clear, Taco Bell uses “LIVE MÁS.” It
13 does not use “MÁS” standing alone as a mark any more than Poquito Mas does. That
14 it occasionally uses it in a descriptive sense (as in Creed’s speech above) does not
15 create trademark rights or infringe the rights of another. Owning a trademark does
16 not prohibit others from *any* use of the words in the mark: “[a] junior user is always
17 entitled to use a descriptive term in good faith in its primary, descriptive sense other
18 than as a trademark.” 2 *McCarthy* § 11:45, at 11-136.

19 **6. The Parties’ Marks Differ in Sight, Sound, Meaning and** 20 **Commercial Impression**

21 Similarity of sight, sound, and meaning is the next “pivotal” factor in the
22 reverse confusion analysis. *Dreamwerks*, 142 F.3d at 1130. Again, Poquito Mas tries
23 to reduce the comparison to the common word “mas”, eschewing sight, sound,
24 meaning and commercial impression. Plaintiff ignores the marks *as a whole* but this

25 ¹¹ Another repeated Poquito Mas mischaracterization is that Taco Bell
26 “rebranded”. Pl. Br. at 4. Companies “rebrand” when they change their corporate
27 name (such as “Esso” changing to “Exxon” in the 1970s). But Taco Bell still
28 operates under the same TACO BELL name it has used for 52 years. PM SUF ## 56,
58, 62-63. What Taco Bell in fact did was to re-examine and reposition its
advertising image, in the process, introducing a new advertising tagline. Calman
Decl. Exs. 126 at 95:13-96:17; 127 at 80:8-86:2.

1 Court must compare the actual marks “as they are encountered in the marketplace”
2 (*Sleekcraft*, 599 F.2d at 351), not as individual components divorced from the whole.

3 Plaintiff claims that the parties “share use of the word ‘MÁS’ as a dominant
4 element in their marks” (Pl. Br. at 14-15), but it never explains why “MÁS” is
5 “dominant” in either mark, and the cases it cites as support shed no light on the
6 question. “MÁS” appears in both Poquito Mas’s and Taco Bell’s marks in the same
7 size as the accompanying words, and the translation of “mas” *i.e.* more, is a distinctly
8 non-descriptive adjective. As the Trademark Trial and Appeal Board said comparing
9 POQUITO MAS to UNA MAS, “mas” is “not so significant that it dominates the
10 mark.”¹² *McCarney*, 2004 WL 240310, at *3.

11 As to commercial impression, plaintiff cryptically argues that “the use of one
12 mark may constitute a legal equivalent of another mark if it is an immaterial variation
13 and creates the same continuing commercial impression” (Pl. Br. at 15), citing *HGM*
14 *Marketing Servs., Inc. v. PepsiCo Inc.*, 50 F.3d 14 (9th Cir. 1995), a case involving
15 the “tacking” of two similar trademarks belonging to the same company for the
16 purpose of determining the date of first use of the second iteration. But the concept of
17 “continuing commercial impression” in that context has no application to two marks
18 owned by different owners in the likelihood of confusion context. In any event,
19 Poquito Mas cannot credibly argue that “LIVE MAS” is an “immaterial variation” on
20 any of its marks without falling back on its claim that it somehow owns “mas”,
21 regardless of how it is used and whatever other words or symbols accompany it.

22 Finally, plaintiff flouts case law and common sense by claiming that the
23 parties’ marks “literally mean nothing in the context used.” Pl. Br. at 15. The marks
24 are not coined words: Poquito Mas **does** have a meaning; it means “LITTLE MORE”
25 or “A LITTLE MORE” in Spanish, as plaintiff’s website and *McCarney*’s trademark
26

27 ¹² Contrary to plaintiff’s arguments as to the relevance on the prior UNA MAS
28 proceeding (PM Evid. Obj. at 20), Una Mas is not a single restaurant but a chain of
similar size to Poquito Mas. More importantly, to the extent plaintiff argues changed
circumstances, *nothing* has changed about the conceptual analysis of plaintiff’s mark.

registrations make clear. Sullivan Decl. Ex. 20; Calman Decl. Ex. 124. LIVE MÁS also has a meaning, as Taco Bell's registrations state; it means "LIVE MORE." Sullivan Decl. Ex. 99. Courts look at the plain meanings of marks as a whole. *See, e.g., Stark v. Diageo Chateau & Estate Wines Co.*, 907 F. Supp. 2d 1042, 1057 (E.D. Cal. 2012) (STARK RAVING and STARK THIRST on wine bottles communicate different meanings: "totally crazy" and "totally and completely thirsty").

7. Poquito Mas and Taco Bell Both Serve Mexican-Inspired Food but They Are Not Direct Competitors Even in Los Angeles County

Plaintiff tries to cast Taco Bell and Poquito Mas as direct competitors, both serving "traditional Mexican food" and both serving "fast food."¹³ It is not surprising that Poquito Mas considers Taco Bell a competitor; Poquito Mas identifies *every* restaurant as a competitor. Sullivan Ex. 37 at # 19. Taco Bell, for its part, does not consider Poquito Mas a competitor [SUF # 56]¹⁴ and while Taco Bell serves Mexican *inspired* food, its menu includes Doritos Locos Tacos (tacos with *Doritos*®-flavored shells), Waffle Tacos (waffles filled with scrambled eggs, bacon and cheese), and the Brownie Sandwich – none of which are remotely traditional to Mexico!

C. Knowledge of Another's Marks Does Not Equate with Knowledge of Infringement or Indicate Bad Faith

Plaintiff argues in its "evidentiary objections" that Taco Bell's good faith is irrelevant on this motion. It is not. While good faith is not a defense to a claim of trademark infringement, since Poquito Mas claims that Taco Bell's knowledge of Poquito Mas's marks before it adopted "LIVE MÁS" constitutes bad faith, evidence

¹³ Poquito Mas has previously shied away from the "fast food" label; it uses the registered trademark "WE DON'T SERVE FAST FOOD; WE SERVE FRESH FOOD AS FAST AS WE CAN." SUF # 8.

¹⁴ To try to create an issue as to Taco Bell's view on point, plaintiff cites two Taco Bell presentations over the course of a decade. DMF ## 52-53. The 2011 slide identifies 55 restaurants in various cities visited by a consultant advising Taco Bell on menu pricing strategy. Calman Decl. Exs. 126 at 151:4-153:9; 129 at 51:11-54:1. The 2004 presentation (DMF # 52) involved a team visiting 22 Mexican fast-food, fast casual, and casual restaurants (apparently chosen for geographic proximity) to see where Taco Bell's nachos fit in with the Mexican restaurant landscape in general. That scanty evidence does not create a material issue of fact on this *Sleekcraft* factor.

1 showing that defendants did not act in bad faith and acted on the advice of counsel¹⁵
2 is directly relevant. Indeed, *McCarthy* labels an entire section heading “*Mere*
3 *Awareness of Senior User is Not Evidence of an Intent to Confuse*” (4 *McCarthy* §
4 23:115, at 23-450), and courts have held that awareness of the existence of the senior
5 user can be fully consistent with good faith.¹⁶

6 Of course, Taco Bell and FCB were aware of the existence of Poquito Mas and
7 of its trademark registrations and that is why they did not proceed with the proposed
8 tagline “*Live a Little Más*” (“LALM”). But they also believed that the problem was
9 the combination of the words “little” and “más”; they simply did not believe that
10 McCarney’s objection was or could be to any use of the word “más” in connection
11 with a tagline. As Ray Weston, Taco Bell’s General Counsel testified:

12 Q: At this point in time in the January/February 2012 time
13 frame, did you perceive that there could be an issue with
Mr. McCarney regarding “Live Más”?

14 A: No.

15 Q: Did you perceive that Mr. McCarney may object to
Taco Bell using “Live Más”?

16 A: Never. In fact, we all thought Mr. McCarney would be
17 happy that we had changed to “Live Más,” which even
18 though our trademark lawyers had advised us we could use,
19 it still did not have the words “Little” and “Más” in it,
20 which sort of matched up with his mark of “Poquito Más.”
But “Live Más” is so completely different no trademark
lawyer in his right mind would think that there was any
infringement there. And we thought Mr. McCarney would
be like, wow, they actually did the right thing. I objected to
it, and even though they thought they had the right to use it,

21 ¹⁵ For at least the fourth time, plaintiff argues that Taco Bell should be
22 precluded from relying on the advice of counsel defense because of its supposed
23 delay in asserting it. PM Evid. Obj. at 3-6. On three occasions, Magistrate Judge
24 Rosenbluth rejected that contention, and this Court affirmed her most recent decision.
There is no basis for this argument and it is contrary to the applicable law, as
previously briefed and decided.

25 ¹⁶ See *Sweats Fashions, Inc. v. Pannill Knitting Co.*, 833 F.2d 1560, 1565 (Fed.
26 Cir. 1987) (“[A]n inference of ‘bad faith’ requires something more than mere
27 knowledge of a prior similar mark. That is all that the record here shows.”); *Playtex*
28 *Prods., Inc. v. Georgia-Pacific Corp.*, 390 F.3d 158, 166 (2d Cir. 2004) (It is error to
infer “bad faith” merely from knowledge of a senior user’s mark. “Prior knowledge
of a senior user’s mark does not, without more, create an inference of bad faith.”);
Personeta, Inc. v. Persona Software, Inc., 418 F. Supp. 2d 1013 (N.D. Ill. 2005)
(Seventh Circuit cases do not infer intent merely from knowledge of the senior user;
preliminary injunction granted).

1 they decided to use something else anyway.

2 Calman Decl. Ex. 128.

3 All of the evidence establishes Taco Bell's good faith belief, at the time that it
4 adopted the LIVE MÁS tagline, that that mark did not conflict with the rights of
5 Poquito Mas or for the matter anyone else. As *McCarthy* concludes:

6 "If counsel gave objectively reasonable advice that there
7 was no conflict and defendant relied on that advice, it
8 would seem that defendant's intent was to *avoid* likelihood
9 of confusion."

10 4 *McCarthy* § 23:117, at 23-453 (emphasis in original) (citing *Parenting Unlimited,*
11 *Inc. v. Columbia Pictures Television, Inc.*, 743 F. Supp. 221, 230 (S.D.N.Y. 1990);
12 *Michael Caruso & Co. v. Estaetan Enters. Inc.*, 994 F. Supp. 1454, 1462 (S.D. Fla.
13 1998)).

14 **1. There Was Nothing "Careless" About Taco Bell's Decision To**
15 **Adopt The Live Más Tagline**

16 In a reverse confusion case, the junior user is not trying to trade upon the
17 goodwill of the senior user, so the intent to free ride is irrelevant. *Brookfield*, 174
18 F.3d at 1059; 4 *McCarthy* § 23:10. "Rather, courts should ask whether, despite acting
19 innocently, the junior user 'was careless in not conducting proper research to avoid
20 infringement prior to development of its trademark.'" 4 *McCarthy* § 23:10, at 23-82
21 (citing *Mars Musical Adventures, Inc. v. Mars, Inc.*, 159 F. Supp. 2d 1146, 1152 (D.
22 Minn. 2001)). To the contrary of carelessness, the undisputed facts establish that
23 Taco Bell and FCB were extremely careful at every step along the way.

24 First of all, they did not just proceed willy-nilly with their proposed tagline of
25 choice, LALM. They consulted attorneys. SUF ## 102-104, 107-110. Plaintiff faults
26 Taco Bell and FCB for deciding that they wanted to use what Poquito Mas terms "a
27 MAS slogan" before conducting due diligence (Pl. Br. at 4), but why would a
28 company do due diligence on a proposed mark *before* it decided that it want to use it?
Once Taco Bell expressed interest in LALM, FCB approached Winston & Strawn
and that firm concluded, based on a preliminary search, that LALM was not available

1 because of Poquito Mas's registered POQUITO MAS mark. SUF ## 79, 82.¹⁷

2 Six weeks later, when Taco Bell learned of Winston & Strawn's opinion, it did
3 not just ignore that opinion and adopt the LALM mark in spite of it. Rather,
4 Mr. Weston reached out to an experienced trademark counsel at Yum, Eliane Setton,
5 who reached the contrary opinion based on her review of a full trademark search.¹⁸
6 Sullivan Decl. Ex. 75. Even then, given the conflict between those opinions, Setton
7 reached out to an independent law firm, Fross Zelnick, for its opinion. SUF # 103.
8 That firm likewise concluded LALM was available for use. SUF # 104. Next, on or
9 about January 30, Weston and Setton had a conference call with Davis of IPG
10 (FCB's parent company) and one of the Winston & Strawn lawyers, to explore these
11 differing conclusions about LALM. Calman Decl. ## 125 [Davis Tr.] at 47:14-
12 51:25]; 128 [Weston Tr.] at 89:3-90:17. Setton then went back to Fross Zelnick to
13 assess the impact of FCB's approach to McCarney, sending them underlying email
14 chains comprising dozens of communications. SUF ## 107-109.

15 Most importantly, even then, Taco Bell did not adopt LALM based on those
16 opinions because of McCarney's objections and in what ultimately proved to be an
17 unsuccessful attempt to avoid a lawsuit. It went back to the drawing board and,
18 together with FCB, came up with numerous other proposed taglines. When they
19 chose LIVE MÁS, they did not just rely on the existing opinions on LALM, but once
20 again reached out for opinions from Yum trademark counsel and Fross Zelnick, and

21
22 ¹⁷ Contrary to Poquito Mas's claim, Winston & Strawn did not "flag[] Taco
23 Bell's proposed new MÁS marks as presenting a significant risk of a complaint" (Pl.
24 Br. at 4); it reached differing conclusions on the various proposed taglines including
25 the word "mas" that it was asked to consider. Sullivan Decl. Ex. 65.

26 ¹⁸ Conducting a trademark search may be regarded as evidence of good faith
27 adoption of a mark, even if that search reveals the existence of an earlier mark. *Star*
28 *Indus., Inc. v. Bacardi & Co.*, 412 F.3d 373 (2d Cir. 2005). In addition, the fact that
Taco Bell obtained a registration for LIVE MÁS also bars any claim of bad faith as a
matter of law. *See Trovan, Ltd. v. Pfizer, Inc.*, 2000 WL 709149, at *25-26 (C.D. Cal.
May 24, 2000) ("[D]efendant's trademark registration with the Patent and Trademark
Office provides prima facie evidence that its use of the mark Trovan was not only
permissible, but also in good faith. . . . Having before it the defendant's registration,
and no evidence to indicate defendant obtained this registration in bad faith, the jury
could not have rendered a verdict of bad faith based on this evidence.").

1 FCB did its own investigation through its trademark attorneys.¹⁹ Everyone was on
2 the same page: LIVE MÁS was clear for use. SUF ## 113-117, 120.

3 This is clearly not a case where, as plaintiff would have it, Taco Bell was
4 determined to forge ahead “Butch Cassidy style” trampling plaintiff’s rights. Pl. Br.
5 at 17. Contrary to plaintiff’s mischaracterization, “we believe [LALM] could be
6 successfully defended” (Sullivan Decl. Ex. 84) is not equivalent to “crush the much
7 smaller plaintiff in any litigation” (PM Evid. Obj. at 8). If that were true, Taco Bell
8 would have proceeded to use “Live a Little Más”, its favored tagline, but it did not.
9 Rather than acting carelessly, Taco Bell and FCB checked and double checked, and
10 all of the lawyers cleared LIVE MÁS, and that is the mark Taco Bell adopted.

11 **2. There Was Nothing “Manufactured”, “Pre-Cleared”, “Superficial”,**
12 **or “Incompetent” About The Attorneys’ Opinions Taco Bell**
13 **Received Before Adopting The Live Más Tagline**

14 Poquito Mas’s only other argument actually addressed to Taco Bell’s decision
15 to proceed with “LIVE MÁS” is the argument that the opinions on which Taco Bell
16 relied in proceeding are, as plaintiff variously categorizes them, “superficial,”
17 “precleared,” “manufactured,” “not objective,” “purchased”, and “incompetent.” Pl.
18 Br. at 5, 24 n.12; DMF ## 107, 115. Notwithstanding the inflammatory adjectives,
19 there is no evidence at all in the record that Yum or Taco Bell told Fross Zelnick
20 what to say, what conclusion to reach, or “shopped” for a “favorable” opinion.

21 According to Poquito Mas, the only “competent” opinion was the Winston &
22 Strawn preliminary or knockout search. PM Evid. Obj., p. 7. Apparently, Poquito
23 Mas’s definition of “competent” is an opinion that agrees with its own ultimate

24 ¹⁹ Poquito Mas claims that there is “evidence in the record that the later
25 opinions received by Taco Bell were merely meant to obtain indemnification and the
26 resulting insurance coverage” (PM Evid. Obj. at 8), but it cites no such evidence.
27 Since the Winston & Strawn opinion counseled against use of LALM, and the Yum
28 and Fross Zelnick opinions reached the opposite conclusion, Taco Bell and FCB did
discuss whose responsibility it would be to indemnify, if Taco Bell proceeded with
LALM and McCarney sued. SUF # 149. But those communications simply ceased
when the parties moved on and decided to adopt a mark that no one believed in any
way infringed Poquito Mas’s (or anyone else’s) rights.

1 conclusion. To say the opinions here are “incompetent” simply because Poquito Mas
2 disagrees with them, does nothing to advance the analysis of whether Weston
3 justifiably relied on them.²⁰ And once again, Taco Bell did *not* use LALM. As for
4 the charge of “superficiality,” while a superficial opinion letter with no analysis
5 undermines claim of good faith (*Bear U.S.A. v. A.J. Sheepskin & Leather Outerwear*,
6 909 F. Supp. 896, (S.D.N.Y. 1995)), the opinions were detailed; investigated Poquito
7 Mas’s marks and its restaurants; compared the respective marks in sight, sound,
8 meaning, and overall commercial impression; explored and rejected the idea that
9 Poquito Mas had a family of marks; considered other common law marks and
10 domain names including mas or combinations of “live” and “more” and variants
11 thereof; explored the many actual uses of and registrations including the word “mas”
12 for restaurant services and related classes; considered all of the *Sleekcraft* factors;
13 and assessed the TTAB’s findings in the UNA MAS proceedings. Poquito Mas may
14 disagree with the conclusions in those opinions, but even if it is right, that does not
15 make them “superficial” or unworthy of Taco Bell’s reliance.

16 **III. POQUITO MAS HAS NOT CREATED A** 17 **JURY ISSUE ON THE RELIEF IT SEEKS**

18 Poquito Mas does not dispute that its sales have only *increased* since the
19 tagline was introduced. *See* SUF # 140. Faced with that absence of any
20 demonstrable actual injury,²¹ Poquito Mas misstates both the facts and the law in a

21
22 ²⁰ Plaintiff also claims that Weston is not competent to testify as to the advice
23 he received, because that testimony is hearsay (PM Evid. Obj. at 8-9 (Weston ¶¶ 5, 6,
24 8, and 10)). But what is relevant here is Taco Bell’s state of mind in proceeding with
25 the LIVE MAS mark. Weston gave his client the go-ahead to proceed with that
tagline based on these opinions. Weston Decl. ¶¶ 9-13. Surely he is competent to
testify as to his own state of mind. These opinions are not offered to prove that they
are right (which is the function ultimately of this Court and/or the jury), but rather to
establish that Taco Bell fully believed that it was acting on the advice of counsel.

26 ²¹ Poquito Mas mentions “substantial litigation costs” in support of its claim
27 for damages (Pl. Br. at 19), but litigation costs are not part of a trademark damages
28 analysis. *See Comm. for Idaho’s High Desert, Inc. v. Yost*, 92 F.3d 814, 823 (9th Cir.
1996) (“It is therefore clear that the amounts CIHD was alleging as damages were
simply costs of litigation. No authority suggests that a plaintiff’s time spent in
litigation over trademark infringement is compensable as damages for the

1 last ditch effort to save its claims for corrective advertising, a reasonable royalty, and
2 disgorgement of Taco Bell's profits. Stripped of plaintiff's habitual overzealous
3 advocacy, there is no support for an award of any of these remedies.

4 **A. Plaintiff's Lack of Non-Speculative Evidence Bars Its Corrective**
5 **Advertising Claim**

6 Poquito Mas concedes, as it must, that corrective advertising is a
7 compensatory award that is intended to make the plaintiff whole. Pl. Br. at 21. The
8 law is clear that plaintiff "must present *non-speculative evidence* that goodwill and
9 reputation—that is, the value of its mark—was damaged in some way." *Quia Corp.*
10 *v. Mattel Inc.*, 2011 WL 2749576, at *5 (N.D. Cal. July 14, 2011) (emphasis added).
11 *See also* Init. Br. at 22-23; *S. Cone, Inc. v. Timex Corp.*, 2002 WL 34450329, at *1
12 (S.D. Cal. Apr. 10, 2002) (because there was "no evidence or knowledge" of
13 decreased value of plaintiff's mark, "any suggestion that an award of corrective
14 advertising in a particular amount is appropriate is impermissible speculation").

15 The little support Poquito Mas offers for its claim is precisely the kind of
16 speculative evidence that is insufficiently tethered to the corrective advertising award
17 it seeks. Plaintiff points to its expert's conclusion that "[i]t will require a herculean
18 effort for a small company like Poquito Mas to reclaim its singular identification with
19 the "Mas" marks." Pl. Br. at 22. That is not even close to providing a "reasonably
20 accurate measure with which to assess an appropriate award." *Binder v. Disability*
21 *Grp. Inc.*, 772 F. Supp. 2d, 1172, 1180 (C.D. Cal. 2011). Nor does a claim of a
22 generalized "negative impact on Poquito Mas" resulting from the alleged cessation of
23 negotiations with Branstetter. Pl. Br. at 23.²² That claim is based on the "the

24
25 infringement. The district court was therefore correct in granting summary judgment
26 to the appellants on CIHD's claim for damages.").

27 ²² This argument is entirely inconsistent with McCarney's prior deposition
28 testimony that Taco Bell's use of the LIVE MAS tagline was not a factor in any
venture capitalist's decision not to fund an expansion of Poquito Mas. (TB SUF
143). As such, McCarney cannot create an issue of fact on point sufficient to
defeat summary judgment. *See SEC v. Wilde*, 2012 WL 6621747, at *11 (C.D. Cal.
Dec. 17, 2012) (Carter, J.) ("a party cannot manufacture an issue of fact by providing

1 uncertainty of the impact of Taco Bell's "LIVE MÁS" campaign on the POQUITO
2 MÁS brand and the ongoing litigation between Taco Bell and Poquito Mas" and an
3 unspecified effect on "Poquito Mas's ability to effectively continue negotiations."
4 DMF # 152. Uncertainty and unnamed effects, even if they constituted a negative
5 impact and even if not contrary to McCarney's earlier sworn testimony, are precisely
6 the kind of speculative harm for which a corrective advertising award is
7 inappropriate. *See* Calman Decl. Ex. 130 at 47:24-48:2; 95:3-6.

8 Perhaps because it lacks any specific evidence of damage to its goodwill and
9 reputation (the kind of damage a corrective advertising award is supposed to redress),
10 Poquito Mas points to law outside the Ninth Circuit addressing the presumption of
11 injury that arises out of a finding of infringement for purposes of injunctive relief.
12 *See* Pl. Br. at 23. Not only is any such presumption invalid post-*eBay* and *Winter*
13 (see Init. Br. at 24-25), it is also completely inconsistent with the requirement of a
14 *specific* showing necessary for a corrective advertising award, as this Court held in a
15 similar attempt to apply such a presumption to damages to goodwill. *See Quiksilver*,
16 2013 WL 1953719, at *6 (assertions regarding control over the brand as evidence of
17 damages to goodwill were "conclusory and speculative").

18 **B. Plaintiff's Lack of Non-Speculative Evidence Also Bars Its Reasonable**
19 **Royalty Claim**

20 Poquito Mas concedes that there must be a "legitimate proposed basis on
21 which to calculate" a reasonable royalty award, and that such award may not be
22 impermissibly speculative. *See* Pl. Br. at 20.²³ In the absence of a history of
23 licensing its trademarks or a price negotiation with Taco Bell and/or FCB, Poquito
24 Mas tries to shoehorn the scanty record here into the framework which supported a

25 an affidavit that contradicts prior sworn testimony") (citing *Nelson v. City of Davis*,
26 571 F.3d 924, 927 (9th Cir. 2009)).

27 ²³Contrary to Poquito Mas's claim that Louis Berneman, Taco Bell's expert,
28 agrees that a reasonable royalty is an appropriate remedy (Pl. Br. at 21), he actually
concluded: "Mr. Phillips [Poquito Mas's expert] has not demonstrated that a
reasonable royalty rate is a proper measure of damages in this case, because his
premises for that conclusion are significantly flawed." Blakely Decl. Ex. 99.

1 reasonable royalty in *Quiksilver*. But its reliance on that case is wholly misplaced.

2 In *Quiksilver*, this Court relied on the fact that the parties had engaged in
3 “detailed and lengthy purchasing negotiations” over the VISITOR mark at issue that
4 had taken place for “nearly two years.” 2013 WL 1953719, at *5. As such, there
5 was sufficient information so as to provide “reasonable certainty” for a royalty
6 award. *Id.* Here, in contrast, the extent of “negotiations” was two or three phone
7 calls and one brief meeting that took place over the course of two months. *See*
8 PM SMF ## 73-77, 85, 94, 97, 99. There, the parties agreed that a license would
9 have been possible, but they were ultimately unable to come to an agreement as to
10 price following multiple offers and counteroffers. 2013 WL 1953719, at *1, *5.
11 Here, the only monetary discussion was Santoni’s \$35,000 offer for co-existence,
12 which McCarney rejected without negotiation (Calman Ex. 130 at 215:1-217:20);
13 there was no subsequent exchange of offers that could establish the parameters for a
14 reasonable range of fees. Rather, Poquito Mas decided that it would not license its
15 marks *at all*. McCarney Decl. Ex. 42. Poquito Mas now claims that it “remains open
16 to licensing ‘out’ its MAS marks” (Pl. Br. at 20), but at his deposition, McCarney
17 testified that he was firm in his belief that he was not going to license his marks. *See*
18 Calman Decl. Ex. 130 at 215:11-18 (he told the investigator “It’s my brand. It’s a
19 mark. This is my life. I have no plans to license it to anybody else.”); *id* at 217:9-12
20 (in response to Santoni’s question, ‘Why is it just a flat no?’ . . . I said, ‘Because I
21 don’t want to license the mark.’”). As stated *supra* (see p. 21-22, n. 22), Poquito Mas
22 cannot manufacture an issue of fact contrary to prior sworn testimony.

23 McCarney’s deposition testimony is fully consistent with Poquito Mas’s history
24 of *never* in its 30 years history having licensed any of its marks to anyone other than to
25 its franchisees as part of the entire franchise arrangement. SUF # 144. Poquito Mas
26 argues that there is no difference between licensing any of its marks by themselves and
27 licensing them in the context of a franchise agreement, but its franchisees do not pay a
28 separate royalty for use of Poquito Mas’s trademarks (SUF # 17), and plaintiff makes

1 no attempt, either through McCarney or an expert, to provide a rationale for allocating
2 a portion of the franchise fee to the right to use the marks.

3 **C. Disgorgement of Taco Bell's Profits Would Result in an Impermissible**
4 **Windfall**

5 Once again, Poquito Mas casts its net outside of the Ninth Circuit to find
6 support for its proposition that under the 1999 revisions to the Lanham Act, it need
7 not demonstrate willfulness to obtain disgorgement of Taco Bell's profits. Pl. Br. at
8 23-24. The Ninth Circuit has not adopted that a reading of the Act,²⁴ and any award
9 must therefore be consistent with the Ninth Circuit's admonition to lower courts that
10 "an accounting of profits is not automatic and must be granted in light of equitable
11 considerations" and its caution that the "Plaintiff is not entitled ... to a windfall."
12 *Lindy Pen Co. v. Bic Pen Corp.*, 982 F.2d 1400, 1405 (9th Cir. 1993) (citations
13 omitted). Accordingly, recent cases have affirmed that disgorgement of profits is
14 only available in a reverse confusion case when there is evidence the junior user
15 intended to exploit the goodwill of the senior mark. *E.g.*, *Spin Master, Ltd. v.*
16 *Zobmondo Entm't, LLC*, 944 F. Supp. 2d 830, 848-49 (C.D. Cal. 2012).

17 As discussed above, Taco Bell adopted the LIVE MÁS mark in good faith and
18 in reliance on the advice of counsel. SUF ## 82, 116-117, 120; Init. Br. at 18-19;
19 *supra* at pp. 15-20. The intent factor to determine likelihood of confusion under
20 *Sleekcraft* and the willfulness requirement for disgorgement of profits, differ
21 significantly. In analyzing the intent factor in reverse confusion cases, defendant's
22 negligence may be sufficient to weigh in favor of plaintiff. *See SunEarth, Inc. v. Sun*
23 *Earth Solar Power Co.*, 2013 WL 4528539, at *16 (N.D. Cal. Aug. 23, 2013) ("[T]he
24 relevant inquiry to determine intent was whether, despite acting innocently, the
25 alleged infringer was careless in not conducting proper research, to avoid

26
27 ²⁴ As *McCarthy* opines, "the 1999 amendment of Lanham Act § 35(a) was not
28 intended to change the law by removing willfulness as a requirement for an award of
profits in a classic infringement case" and courts reading it as such "have leveraged
this statutory change beyond its intended scope." 5 *McCarthy* § 30:62, at 30-171.

1 infringement, prior to development of its trademark or trade dress.”). In contrast,
2 disgorgement of profits requires a finding that the defendant's actions were "willfully
3 calculated to exploit the advantage of an established mark." *Id.* at *21 (citing *Lindy*
4 *Pen*, 982 F.2d at 1407). Thus, as courts have concluded, “[t]o the extent that
5 Plaintiffs argue that disgorgement is available under the circumstances here in a
6 reverse confusion case, where Defendants negligently failed to investigate senior
7 rights before adopting a mark but did not willfully infringe, this cannot be reconciled
8 with the language of *Lindy Pen*.” *Id.* Consequently, infringing profits are not
9 available to Poquito Mas on a disgorgement theory.

10 **D. There Is No Presumption of Injury for Injunctive Relief**

11 Poquito Mas relies on outdated law for the proposition that irreparable injury is
12 presumed for purposes of injunctive relief if infringement has been shown. Pl. Br. at
13 24. This is no longer good law. *See* Init. Br. at 24-25. As discussed above, Poquito
14 Mas has failed to demonstrate any actual injury, let alone any irreparable injury. A
15 permanent injunction would therefore be inappropriate.

16 **IV. CONCLUSION**

17 The consummate absence of actual confusion in three years of coexistence; the
18 differences in sight, sound, meaning and commercial impression between and among
19 the marks; the conceptual weakness of Poquito Mas’s marks; the reasonableness of
20 Taco Bell’s decision not to proceed with LALM but rather to adopt a mark that it did
21 not believe infringed; all lead inexorably to the conclusion that there is neither a
22 likelihood of forward nor reverse confusion in this case, that no jury could find
23 otherwise, and that defendants should be granted summary judgment dismissing the
24 complaint in its entirety and awarding them attorneys’ fees and costs.

Respectfully submitted,

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